



HOTEL/MOTEL

Scottsdale Privilege Tax

This publication is for general information only. For complete details, refer to the City of Scottsdale Tax Code.

April 2005

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are located in Scottsdale and you operate a hotel/motel charging for lodging space furnished to any person.

Income includes bartered services and merchandise, as well as funds.

In addition to the privilege tax, an additional 3.0% transient tax is due on income from charges for lodging to any transient. A transient is a person who obtains lodging for any period of not more than 30 consecutive days. If at the inception of the lease, the property has a lease or prepaid rent encompassing at least 31 days, the additional transient tax would not apply.

WHEN IS TAX DUE?

Tax is due on the 20th day of the month following the month in which the revenue was recognized.

WHAT IS THE TAX RATE?

The tax rate for hotel/motel is 1.65% of the gross income. The additional transient tax rate is 3.0% of the gross income charged for lodging furnished to a transient. This tax applies only to the lodging rooms; it does not apply to meeting rooms or banquet facilities.

ADDITIONAL ACTIVITIES

The following activities should be included in gross income and taxed at the 1.65% privilege tax rate:

1. Real Property Rentals

When real property is rented or leased for non-lodging activities. (meeting rooms and banquet facilities.) (See the Real Property Rentals Privilege Tax Brochure.)

2. Sub-Leases

When a property is subleased, the taxable landlord is the one directly leasing to the tenant in actual possession of the property.

3. Retail Sales

Gross income from selling tangible personal property at retail is taxable. If the retail store is owned by the hotel/ motel, the hotel/motel should include retail income in gross receipts. If a store located on the property is owned by a third party, that party is responsible for remitting tax for the retail activity.

4. Fees and Commissions

Income received from the operation of vending machines, pay phones, or other amusement devices is taxable. If a third party is licensed with the city and paying tax on any of these activities, then the hotel/motel is responsible for remitting tax on the commissions received, as this income represents licensing for use of real property.

5. Food and Beverage Sales

Persons engaged in the business of sales of prepared food and drink for consumption on or off the premises within Scottsdale are taxable under the restaurant category. (See the Restaurants and Bars Privilege Tax Brochure.)

6. Refundable and Nonrefundable Deposits

"Nonrefundable deposits" for cleaning, keys, pet fees, maintenance, or for any other purpose are deemed gross income upon receipt.

"Security deposits" and other refundable deposits are deemed gross income at the time such deposits are forfeited.

7. Telecommunications Services

Charges for local calls, fax transmission service, and fees charged for access to a telecommunications system or network are taxable. The actual cost of interstate transmissions charged by a provider are not taxable. (See the Telecommunications Privilege Tax Brochure.)

8. Tangible Personal Property Rentals

The rental of tangible personal property is taxable. (See the Rental of Tangible Personal Property Privilege Tax Brochure.)

9. Amusements

Amusements provided by a hotel/motel are taxable. (See the Amusements Privilege Tax Brochure.)

10. Rentals to Nonprofit Organizations

Lodging rooms provided to nonprofit groups and foreign diplomats are taxable.

11. **Mark up charges** for items like laundry and in-room movies which are provided by other entities are subject to tax. The tax applies to the amount the hotel charges in excess of the actual cost of the service.

WHAT DEDUCTIONS ARE ALLOWED?

- Gross receipts derived from incarcerating or detaining inmates.

EXCESS TAX

If more City tax was collected than was due, the excess tax collected must be remitted to the City.

USE TAX

Fixed Assets and Supplies

This is a tax on items that were purchased, leased, or rented without paying privilege or sales tax. The purchased, leased, or rented items become taxable when they are used, stored, or consumed within the City. Most commonly, purchases, leases, or rentals from out-of-state vendors will fall into this category. The use tax does not apply to purchases or leases which are resold or re-leased in the normal course of business. (Taxable examples include bed and bath linens, furnishings, janitorial/maid supplies and equipment, and kitchen/restaurant equipment and supplies.)

Employee Meals

Charges made by a Hotel/Motel to its employees for meals are taxable sales. If a charge is not made for food and beverage provided to employees the cost of the items provided is subject to City use tax.

Complimentary Items

Promotional or complimentary items which are served to guests without consideration are subject to City use tax based upon the cost of the items provided (items like pens, paper, and post-cards). **The tax does not apply to personal hygiene items like soap and shampoo.**

The City of Scottsdale use tax rate is 1.45%. Businesses are responsible for computing and paying use tax.

For more information call (480) 312-2400.

Write or visit:

CITY OF SCOTTSDALE

Tax & License

7447 E. Indian School Rd., Suite 110

Scottsdale, Arizona 85251

or

Tax & License

9379 E. San Salvador, Suite 100

Scottsdale, Arizona 85258

World Wide Web Address

www.ScottsdaleAZ.gov